



COUNTY OF LOS ANGELES  
OFFICE OF THE COUNTY COUNSEL

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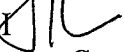
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ROBERT E. KALUNIAN  
Acting County Counsel

January 26, 2010

TO: SACHI A. HAMAI  
Executive Officer  
Board of Supervisors

Attention: Agenda Preparation

FROM: JOHN F. KRATTLE   
Senior Assistant County Counsel

RE: **Mediated Settlement with Sierra Systems Regarding  
Department of Mental Health IT Litigation**

Attached is the Agenda entry for the Los Angeles County Claims Board's recommendation regarding the above-referenced matter. Also attached are the Case Summary and the Summary Corrective Action Plan to be made available to the public.

It is requested that this recommendation, the Case Summary and the Summary Corrective Action Plan be placed on the Board of Supervisor's agenda.

JFK:rfm

Attachments

## Board Agenda

### MISCELLANEOUS COMMUNICATIONS

Los Angeles County Claims Board's recommendation: Authorize settlement of the matter entitled Mediated Settlement with Sierra Systems Regarding Department of Mental Health IT Litigation, whereby the County will receive payment of \$1.5 million.

This matter concerns the design and development of an information management system by Sierra Systems for the Department of Mental Health.

## CASE SUMMARY

### INFORMATION ON PROPOSED SETTLEMENT OF LITIGATION

CASE NAME	Los Angeles County v. Sierra Systems, Inc.
CASE NUMBER	Prelitigation Claim brought by County against Sierra Systems
COURT	N/A
DATE FILED	N/A
COUNTY DEPARTMENT	Department of Mental Health ("DMH")
PROPOSED SETTLEMENT AMOUNT	\$ Acceptance by County of \$1.5 million payment by Sierra to resolve and compromise all claims through FY 05-06.
ATTORNEY FOR PLAINTIFF	County is Claimant, represented by Rollin Ransom of Sidley Austin  Respondent Sierra Systems is represented by Steve Allison
COUNTY COUNSEL ATTORNEY	Richard K. Mason
NATURE OF CASE	This mediated settlement with Sierra Systems is related to the earlier settlements in 2006, 2007, and 2009 of the protracted litigation, brought by certain providers of mental health services, alleging approximately \$25 million in damages for unreimbursed services, involving DMH and the State of California with respect to DMH's information technology system, which was modified to comply with the requirements of the federal HIPAA

regulations. In these cases. Plaintiff providers alleged that DMH breached its contractual obligations to them by not timely or accurately processing their claims for reimbursement to the State, resulting in denied claims. The State was also a defendant. The County asserted a cross-claim against the State for, among other things, indemnity or contribution. The County further asserted that responsibility is also shared by the plaintiff providers and the designer of the system changes, Sierra Systems. The earlier settlements resolved all disputes with the providers and the State. During the pendency of the litigation, County and Sierra entered into a tolling agreement to allow them to mediate after resolution of the underlying litigation. County and Sierra have now successfully mediated the matter to their mutual satisfaction.

PAID ATTORNEY FEES, TO DATE	\$	\$12,622.50
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PAID COSTS, TO DATE	\$	\$4,706.26
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## Summary Corrective Action Plan



The intent of this form is to assist departments in writing a corrective action plan summary for attachment to the settlement documents developed for the Board of Supervisors and/or the County of Los Angeles Claims Board. The summary should be a specific overview of the claims/lawsuits' identified root causes and corrective actions (status, time frame, and responsible party). This summary does not replace the Corrective Action Plan form. If there is a question related to confidentiality, please consult County Counsel.

Date of incident/event:	October 2005 (First lawsuit filed)
Briefly provide a description of the incident/event:	Contract providers of mental health services alleged in 25 lawsuits against the County and the State of California that the transition to HIPAA-compliant claiming and the design, implementation, and use of the Integrated System (IS) by DMH resulted in loss of revenue because of flawed implementation of the HIPAA Transactions and Code Sets Rules, flaws in the design and implementation of the IS, and deficiencies in DMH's operation and use of the IS.

1. Briefly describe the root cause of the claim/lawsuit:

The root causes of the problems which led to delays in reimbursement claims and consequent denials of such claims leading to the subject litigation are complex, but include the following:

1. Errors and omissions resulting from "fast track" procurement and implementation process in order to comply with federal mandates and timelines;
2. Design errors or omissions and other related inadequate performance by Sierra Systems;
3. Incapacity of State system to receive and process claims and inadequate performance by State with respect to required systems interfaces; and
4. Provider errors and omissions and untimely and inaccurate data entry.

2. Briefly describe recommended corrective actions:

(Include each corrective action, due date, responsible party, and any disciplinary actions if appropriate)

1. Correct outstanding performance and operational problems with the IS (Change Request 48)

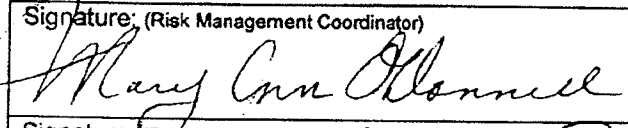
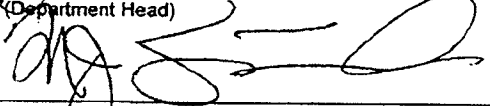
Responsible Party: R. Greenless, Chief Information Officer, (CIO) Chief Information Office Bureau,

(CIOB.) Completion Date: April 2006.

2. Create a Revenue Management Division (RMD) within DMH to provide effective monitoring and oversight of DMH claims processing activities. Responsible Party: Lyn Wallensak, Chief Administrative Deputy. Completion Date: May 2006.
3. Introduce the Cognos Business Intelligence (BI) to DMH and pair it with the DMH Data Warehouse. Responsible Party: John Ortega, Chief, Data and Integration Services, CIOB Completion Date: December, 2009
4. Develop and staff a Project Management Office (PMO) within CIOB. Responsible Party: Sharon Carlson, Associate, CIOB Completion Date: August, 2009.
5. Develop and Maintain a DMH Project Management Methodology based on Industry Best Practices. Responsible Party: Sharon Carlson, Associate, CIOB Completion Date: February, 2005.
6. Acquire an Integrated Behavioral Health Information System (IBHIS) to replace the IS and provide an electronic health record (EHR) system for DMH. Responsible Party: Robert Greenless, CIO, CIOB Completion Date: Initial Production Use - September, 2013.

3. State if the corrective actions are applicable to only your department or other County departments: (If unsure, please contact the Chief Executive Office Risk Management Branch for assistance)

- ☐ Potentially has County-wide implications.
- ☐ Potentially has implications to other departments (i.e., all human services, all safety departments, or one or more other departments).
- X Does not appear to have County-wide or other department implications.

Signature: (Risk Management Coordinator) 	Date: 6-8-09
Signature: (Department Head) 	Date: 6-8-09